

# Electric rate study validates concerns and provides path to competitive rates

The Legislature in 2019 strongly supported the passage of SB 69, which called for a comprehensive study of electric rates to help achieve regionally competitive rates. The first phase of the study was released January 8.

The study reviewed the effectiveness of current Kansas ratemaking

## The Good

- “the current ratemaking practices for IOUs (Evergy) perform well in terms of attracting adequate capital investments”
- “current ratemaking processes for Kansas electric co-ops and munis are in the public interest”

## The Bad

### **Current ratemaking methods favor utilities**

- “the current IOU ratemaking practices reflect some degree of imbalance between utility incentives and public interest objectives (such as achieving regionally competitive rates or other public policy objectives)”

### **Underutilized assets are a drag on rates**

- “while the KCC’s primary objective standards and vetting process for ensuring the prudence of utility investments are sound, they are limited in terms of protecting ratepayers from paying for investments that are underutilized. For instance, declining capacity factors of currently operating rate-based Kansas coal plants (two of which have capacity factors significantly below the regional average) suggest a need to periodically review their usefulness”

### **Surcharges need adjustment**

- “there is potential for improvement in the processes for review of recovery of surcharges and riders”

The study highlighted **near-term options available to help address rates:**

- establish a State energy plan
- mandate integrated resource plans from utilities with a competitive procurement framework
- allow the KCC to explore the development of initial performance-based ratemaking (PBR) mechanisms aligning utility and customer interests
- establish a framework allowing for the securitization of uneconomic assets, given that the cost/benefit analysis of asset retirement demonstrates clear benefits to consumers.